珠光控股
ZHUGUANG HOLDINGS

ZHUGUANG HOLDINGS GROUP COMPANY LIMITED
珠 光 控 股 集 團 有 限 公 司*

(incorporated in Bermuda with limited liability)

(stock code: 1176)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board ("**Board**") of directors ("**Directors**") of Zhuguang Holdings Group Company Limited ("**Company**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2023 ("**FY2023**") together with the comparative figures for the previous financial year ("**FY2022**") as follows:

* *Chinese name is translated for identification purpose only*

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Revenue by operating segment:		
– Property development	**548,083**	890,037
– Project management services	**1,279,681**	1,705,171
– Property investment and hotel operation	**222,812**	243,635
Loss for the year attributable to owners of the parent	**(871,010)**	(997,194)

	At 31 December	
	2023	2022
	HK$'000	*HK$'000*
Total assets	**35,882,100**	37,119,082
Total liabilities	**29,573,689**	29,767,564
Total equity	**6,308,411**	7,351,518

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property development, project management, and property investment and hotel operation in the People's Republic of China ("**PRC**", "**China**" or "**Mainland China**").

BUSINESS REVIEW

In 2023, the global economy was affected by a stagnant recovery, high inflation, geopolitical conflicts and a complex and severe external international environment. With no significant improvement in such unstable situation in sight, the existence of the risk of uncertainty led to further significant sluggishness in the global economy.

During the year under review, the central government and the governments at all other levels in China have successively issued policies, including those in connection with the issuance of RMB1 trillion special treasury bonds, the easing of property purchase restrictions, and the support of the "three major projects" including the renovation of urban villages, which have highlighted the trend of stabilising expectations, increasing confidence, and promoting the stable and healthy development of the real estate market. The Ministry of Housing and Urban-Rural Development and the Ministry of Finance have adhered to their principal philosophy of "seeking progress while maintaining stability, promoting stability with progress, executing construction before destruction", with the launch of measures benefiting the real estate market in various aspects, such as the introduction of policies to promote a real estate financing coordination mechanism and to lower loan interest rates, city-specific policies and one-on-one city policies, which are all to be precisely implemented.

In early 2024, a policy to relax property purchase restrictions was implemented by the government of Guangzhou, making Guangzhou once again the first top-tier city in China to relax purchase restrictions in central urban areas. It was expected that such initiative would drive the Greater Bay Area, first-tier cities, and regional core cities to relax their property purchase restrictions, which would have a strong weathervane effect. The Company's urban renewal team has continued to focus on the implementation of the urban renewal projects across Guangzhou for the Group with its professional attitude as an "urban renewal expert", ensuring that the Group's future land supply sources will be mainly allocated to Guangzhou, and strengthening the Group's future development features and competitive advantages.

The high-quality urban renewal projects in Guangzhou jointly developed and cooperated by the Group and its strategic partners have entered a mature stage. Therefore, the Group will continue to promote the cooperation with its strategic partners in order to consolidate its industry position as an "urban renewal expert".

The Group will also uphold the spirit of craftsmanship, focus on improving product quality, pay attention to details, and provide buyers with high-quality properties.

BUSINESS REVIEW *(continued)*

Property Development and Sales

During FY2023, the Group continued its focus on the first-tier and key second-tier cities in the PRC with potential growth in demand for properties. The Group has achieved contracted sales of approximately HK$3,850,499,000 and contracted gross floor area ("**GFA**") sold of approximately 92,902 square metres ("**sqm**") during FY2023, representing an increase of approximately 75.92% and approximately 34.93%, respectively, as compared with those for FY2022. The details of the contracted property sales and the contracted GFA sold for FY2023 are set out below:

Projects	**Contracted sales** *(HK$'000)*	**Contracted GFA sold** *(sqm)*
Zhuguang Financial Town One	3,515,202	62,095
Central Park	117,157	2,412
Pearl Xincheng Yujing ("**Xincheng Yujing**")	83,235	10,386
Yujing Yayuan	50,578	4,743
Zhuguang Yujing Scenic Garden ("**Yujing Scenic Garden**")	46,304	5,505
Pearl Yunling Lake	7,772	500
Pearl Tianhu Yujing Garden ("**Tianhu Yujing**")	6,083	654
Pearl Yijing	222	227
	3,826,553	86,522
Car parks	23,946	6,380
	3,850,499	92,902

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

It is expected that the following projects of the Group will be available for sale, pre-sale or leasing in 2024:

Projects	**Available for sale/ pre-sale/ leasing period**	**GFA available for sale/lease** *(sqm)*	**Usage**
Zhuguang Financial Town One	1st quarter	281,953	Sale
Central Park	1st quarter	1,773	Leasing/Sale
Xincheng Yujing	1st quarter	23,051	Leasing/Sale
Yujing Yayuan	1st quarter	207	Sale
Yujing Scenic Garden	1st quarter	23,769	Leasing/Sale
Pearl Yunling Lake	1st quarter	150	Sale
Tianhu Yujing	1st quarter	26,352	Leasing/Sale
Pearl Yijing	1st quarter	12,701	Sale
Hua Cheng Yujing Garden	1st quarter	2,425	Leasing/Sale
Project Tian Ying	1st quarter	6,721	Sale
Meizhou Chaotang Project	1st quarter	26,813	Leasing/Sale
Zhukong International	1st quarter	3,345	Leasing/Sale

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

As at 31 December 2023, the Group owned the following major property development projects, the details of which are as follows:

Zhuguang Financial Town One – 100% interest

"Zhuguang Financial Town One" is located at Huangpu Road East, Tianhe District, Guangzhou City, Guangdong Province, the PRC, which is near the 三溪 (Sanxi*) Station of Guangzhou Metro Line No. 5 and within the scope of the planned 廣州國際金融城 (Guangzhou International Financial Town*) in the Tianhe District. The total site area of this project is approximately 63,637 sqm, which is being developed into office buildings, high-end apartment buildings, shopping malls and a commercial complex including underground car parks over four phases. The total GFA for sale of this project is approximately 391,245 sqm. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 4,509 sqm. During FY2023, contracted sales of approximately HK$3,515,202,000 with GFA of approximately 62,095 sqm were recorded with respect to "Zhuguang Financial Town One".

Central Park – 100% interest

"Central Park" is located at Lot H3-3, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 3,430 sqm, and a total GFA available for sale of approximately 28,909 sqm thereof has been developed into a 30-storey building, including service apartments, a street-level commercial podium and a 4-storey underground car park. As at 31 December 2023, the aggregate GFA available for sale of the service apartments delivered was approximately 24,570 sqm. The Group has designated GFA of approximately 539 sqm of this property as investment properties held for long-term investment purpose. During FY2023, contracted sales of approximately HK$117,157,000 with GFA of approximately 2,412 sqm were recorded with respect to "Central Park".

* *English name is translated for identification purpose only*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Xincheng Yujing – 100% interest

"Xincheng Yujing" was acquired by the Group in September 2016. It is located at 種王上圍 (Zhong Su Shang Wei*), 陽光村 (Sunshine Village*), 湯南鎮 (Tang Nan Town*), 豐順縣 (Fengshun County*), Meizhou City, Guangdong Province, the PRC (next to Line G235), a county famous for its hot spring resources which is a major tourism attraction. The project has a site area of approximately 280,836 sqm and a total GFA for sale of approximately 310,716 sqm. The project is being developed into various types of villas, high-rise apartment buildings and an ancillary commercial development. The development of the project is divided into three phases. Phase I commenced pre-sale during 2017 with delivery commencing in 2018. Phase II commenced pre-sale in 2017 which was completed with delivery commencing in 2019. Phase III commenced delivery during 2020. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 254,765 sqm. The Group has designated GFA of approximately 9,482 sqm of this property as investment properties held for long-term investment purpose. The ancillary commercial building plus a basement with a total GFA of approximately 9,482 sqm were leased out during FY2023. During FY2023, contracted sales of approximately HK$83,235,000 with GFA of approximately 10,386 sqm were recorded with respect to "Xincheng Yujing".

Yujing Yayuan – 50% interest

"Yujing Yayuan" is located at Guoji, Fuyong, Nanqu, Zhongshan City, Guangdong Province, the PRC. The site area and the total GFA available for development of this project are approximately 15,745 sqm and approximately 38,005 sqm, respectively. The development of this project into five blocks of modern residential buildings, a street-level commercial podium and an underground car park was completed in 2020. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 34,624 sqm. During FY2023, contracted sales of approximately HK$50,578,000 with GFA of approximately 4,743 sqm were recorded with respect to "Yujing Yayuan".

* *English name is translated for identification purpose only*

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Yujing Scenic Garden – 100% interest

"Yujing Scenic Garden" is located at Provincial Highway G105 ("**Highway G105**") line at Jiulibu District, Jiangpu Town, Conghua, Guangzhou City, Guangdong Province, the PRC, which is well connected via a number of highways to and from Guangzhou City. "Yujing Scenic Garden" is a 20-minute drive from downtown Conghua and a 10-minute drive from Wenquan Town, Conghua, with a site area of approximately 294,684 sqm, which is a commercial and residential complex, comprising residential buildings and a street-level commercial podium and car parks. The total GFA available for sale is approximately 757,633 sqm, which comprises four phases of development. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 708,971 sqm. During FY2023, contracted sales of approximately HK$46,304,000 with GFA of approximately 5,505 sqm were recorded with respect to "Yujing Scenic Garden".

Pearl Yunling Lake – 100% interest

"Pearl Yunling Lake" is located at Provincial Highway S355 line at Jiekou Street, Conghua, Guangzhou City, Guangdong Province, the PRC, which is adjacent to the Fengyunling Forest Park, and is the main transportation link between Conghua and downtown Guangzhou City. The project site area is approximately 200,083 sqm and the total GFA available for sale is approximately 110,417 sqm. The development is divided into two phases, with Phase I comprising 57 villas and 5 apartment buildings, with an aggregate GFA of approximately 42,884 sqm, and Phase II comprising 44 villas, 3 apartment buildings and a hotel, with an aggregate GFA of approximately 83,773 sqm. Phase I with a total GFA available for sale of approximately 39,046 sqm and Phase II with a total GFA available for sale of approximately 29,040 sqm were launched for sale in the first and third quarters of 2017 respectively, whilst the hotel with a GFA of approximately 42,331 sqm has been retained as a long-term asset of the Group. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 39,703 sqm. During FY2023, contracted sales of approximately HK$7,772,000 with GFA of approximately 500 sqm were recorded with respect to "Pearl Yunling Lake".

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Tianhu Yujing – 100% interest

"Tianhu Yujing" is located at Shui Di Village, Jiulibu District, Wenquan Town, Conghua, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 55,031 sqm. The land of this project is located adjacent to "Yujing Scenic Garden", and the Group has developed this land together with "Yujing Scenic Garden" to expand the Group's development and presence in Conghua. The project is developed into 5 blocks of 32-storey modern residential buildings and a street-level commercial podium with total GFA available for sale of approximately 186,894 sqm. The development is divided into two phases. The total GFA available for sale under Phase I and Phase II is approximately 97,183 sqm and 89,711 sqm, respectively. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 139,312 sqm. During FY2023, contracted sales of approximately HK$6,083,000 with GFA of approximately 654 sqm were recorded with respect to "Tianhu Yujing".

Pearl Yijing – 100% interest

"Pearl Yijing" is located at No. 168 Xinkai Street, Xianghe County, Hebei Province, the PRC, with a site area of approximately 45,310 sqm and a total GFA available for sale of approximately 164,603 sqm. The project was developed into two phases with several residential buildings and street-level commercial areas. As at 31 December 2023, the aggregate GFA available for sale delivered under this project was approximately 153,328 sqm. During FY2023, contracted sales of approximately HK$222,000 with GFA of approximately 227 sqm were recorded with respect to "Pearl Yijing".

Hua Cheng Yujing Garden – 100% interest

"Hua Cheng Yujing Garden" was acquired by the Group in 2018. It is located at Zhujiang Xincheng, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with a site area of approximately 60,237 sqm. The total GFA available for sale of this project which belongs to the Group is approximately 108,675 sqm. Out of the GFA of approximately 108,675 sqm, a GFA of approximately 48,043 sqm is attributable to a commercial and residential complex which comprises carparks, residential buildings, shopping malls and office premises, and a GFA of approximately 60,632 sqm is attributable to a commercial complex which comprises car parks, shopping malls and office premises. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 87,267 sqm.

BUSINESS REVIEW *(continued)*

Property Development and Sales *(continued)*

Project Tian Ying – 100% interest

"Project Tian Ying" is located in Jiang Pu Street, Conghua, Guangzhou City, Guangdong Province, the PRC, and is next to Highway G105, which is only a 10-minute drive and a one-hour drive from Conghua central business district and Guangzhou City, respectively. The site area of the project is approximately 22,742 sqm and the total GFA available for sale is approximately 59,679 sqm. The project, which was to be developed into a stylish low-density residential complex with a commercial podium and certain public facilities, was completed in 2019. As at 31 December 2023, the aggregate GFA delivered under this project was approximately 52,592 sqm.

Meizhou Chaotang Project – 100% interest

"Meizhou Chaotang Project" is located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC. The site area and the GFA available for sale under Phase I of the project are approximately 46,793 sqm and approximately 34,202 sqm, respectively. Phase I of the project will be developed into a number of different types of villas in addition to a hotel. The Group has designated the hotel with a GFA of approximately 7,389 sqm as an investment property held for long-term investment purpose.

Zhukong International – 80% interest

"Zhukong International", which is located at Lot A2-1, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, at the junction of 廣州大道 (Guangzhou Avenue*) and 黃埔大道 (Huang Pu Da Dao*), is a 35-storey high-rise commercial complex, including a 6-storey commercial podium, a 29-storey Grade A office building and a 3-storey underground car park. The complex was completed in 2015 with a site area of approximately 10,449 sqm and a total GFA available for sale (including carpark areas) and leasing of approximately 109,824 sqm. As at 31 December 2023, the aggregate GFA of the office building and carparks sold was approximately 45,588 sqm, and GFA of approximately 3,345 sqm of this property was still available for sale or leasing. The Group has designated GFA of approximately 60,891 sqm of this property as investment properties held for long-term investment purpose.

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MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

BUSINESS REVIEW *(continued)*

Land Bank

It is the Group's strategy to maintain a sufficient land bank and design accurate urban layout to support the Group's own development pipeline for at least the next three to five years. The Group has actively expanded its land reserves through various channels, including participation in government public auctions, urban redevelopment projects and acquisition of other property development projects. As at 31 December 2023, the Group had a land bank in the PRC, which consisted of total GFA available for sale, total GFA pre-sold pending delivery and total GFA available for lease, of approximately 775,533 sqm in aggregate. The Group will continue to explore new opportunities for investment and development in cities in the PRC in which the Group already has land investments, as well as other cities in the PRC with growth potential and the best investment value.

Project Management Services

The Group has been using its expertise in project management and urban renewal to provide project management services for property development projects and urban redevelopment projects in the PRC, particularly under the "Three Old" Redevelopment Works regime (「三舊」改造工作) initiated by the Guangzhou Municipal Government, being a regime for the redevelopment of rural land collectively owned by the village residents through a rural collective economic organisation (農村集體經濟聯合社). Projects under the "Three Old" Redevelopment Works regime are subject to specific PRC laws, regulations and policies which, among other things, (1) regulate the various models of property redevelopment for these projects (each a "**Redevelopment Model**"); and (2) restrict the transfer of ownership of the land use rights in the rural land for redevelopment under these projects.

Under this operating model, the Group has been providing project management services to each of its customers who have entered into cooperation agreements with various rural collective economic organisations for the redevelopment of rural land under the "Three Old" Redevelopment Works regime. Pursuant to each of these cooperation agreements, the relevant rural collective economic organisation has agreed to provide the rural land for redevelopment under the project ("**Project Land**"), and the relevant customer has obtained the contractual right and responsibility (including the funding responsibility) and management rights to carry out the redevelopment of the project. Pursuant to the "Three Old" Redevelopment Works regime, the Group's customer may, as the contract redeveloper, acquire the land use rights of the relevant Project Land either by way of contract or through a public listing-for-sale process depending on the Redevelopment Model adopted by the relevant rural collective economic organisation.

BUSINESS REVIEW *(continued)*

Project Management Services *(continued)*

The Group is not a party to the cooperation agreements with the rural collective economic organisations. Instead, it has entered into project management agreements with each of its customers, pursuant to which the Group has obtained such management rights and undertaken the responsibility (including funding responsibility) to carry out the redevelopment of the project. In carrying out its business in the provision of such project management services for projects under the "Three Old" Redevelopment Works regime, the Group is responsible for preparing redevelopment and resettlement compensation plans, obtaining approvals from village residents with respect to such plans, assisting the rural collective economic organisations to manage land title issues, obtaining government approvals, certificates and permits to carry out the property development works (including development of resettlement properties), funding the operations and development of the project and other project management services. In return for the Group's project management services and contribution:

(a) if the subsidiary of the Group's customer ("**Project Company**") directly or indirectly acquires the land use rights in the Project Land and to the extent a transfer of the equity interest in the Project Company is permitted under the PRC laws, regulations and policies, the Group is entitled to (i) exercise its pre-emptive rights to acquire the equity interest in the Project Company or (ii) an income from the sale of the equity interest in the Project Land to a third party;

(b) to the extent that the equity interest in the Project Company (which directly or indirectly holds the land use rights in the Project Land) is not capable of being transferred due to regulatory reasons or government policies, the Group is entitled to an income from the sale of saleable properties developed under the project; and

(c) if the Project Company has not directly or indirectly acquired the land use rights in the Project Land, the Group is entitled to an amount equal to (i) the total amount of funds incurred and contributed by the Group under its contractual funding responsibility plus (ii) an income from a fixed rate of return at an agreed percentage of such funds, which represents the minimum consideration receivable by the Group as an assured return on investment for its provision of project management services.

The Group recorded project management services segment revenue of approximately HK$1,279,681,000 for FY2023, compared with that of approximately HK$1,705,171,000 for FY2022. The decrease in the revenue generated from this business segment was mainly attributable to the decrease in the number of project management agreements entered into by the Group in FY2023. The Group will continue to utilise its expertise in project management and urban renewal to further develop its project management services business to broaden its source of income.

BUSINESS REVIEW *(continued)*

Property Investment and Hotel Operation

As at 31 December 2023, the Group owned (1) certain floors of Royal Mediterranean Hotel ("**RM Hotel**") located at 518 Tianhe Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC, with GFA of approximately 18,184 sqm (31 December 2022: 18,184 sqm); (2) Zhukong International with GFA of approximately 60,891 sqm (31 December 2022: 60,891 sqm); (3) certain floors of a commercial complex in "Hua Cheng Yujing Garden" with GFA of approximately 15,918 sqm (31 December 2022: 15,918 sqm); (4) a hotel located at Chaotang Village, Chengdong Town, Meixian District, Meizhou City, Guangdong Province, the PRC, with GFA of approximately 7,389 sqm (31 December 2022: 7,389 sqm); and (5) certain commercial properties in the Guangdong Province, the PRC, with GFA of approximately 12,022 sqm (31 December 2022: 12,911 sqm) as investment properties. During FY2023, RM Hotel, Zhukong International, the hotel located in Meizhou City and certain commercial properties were partially leased out with total rental income of approximately HK$145,964,000 generated, representing a decrease of approximately 15.4% as compared with that of approximately HK$172,450,000 for FY2022. The existing investment properties held by the Group are intended to be held for medium-term to long-term investment purposes. The Group will continue to seek high quality properties with potential appreciation in value for investment purposes and build up a portfolio that will generate steady cash flows for the Group in the future.

As at 31 December 2023, the Group operated two hotels, namely, (1) 廣州雲嶺湖酒店 (Guangzhou Vlamhoo Hotel*) ("**Vlamhoo Hotel**") located at Conghua, Guangzhou City, Guangdong Province, the PRC, which was constructed by the Group, with its operations commenced in December 2021; and (2) 廣東鹿湖溫泉假日酒店 (Guangdong Luhu Hot Spring Holiday Hotel*) ("**Luhu Hotel**") located at Fengshun County, Meizhou City, Guangdong Province, the PRC, which has been operated by the Group since December 2021. During FY2023, the operation of these hotels generated a total income of approximately HK$76,848,000 (FY2022: HK$71,185,000) for the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals during FY2023.

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OUTLOOK

Looking forward to 2024, it is expected that the global economy will still face various challenges and instability. Multiple factors such as inflation and geopolitical conflicts will continue to have an impact on the world economy. In view of the uncertainties in the global economy, China's real estate industry will still face huge challenges in 2024.

From the perspective of the macro environment, as a result of the benefits to be derived from government policies such as the issuance of RMB1 trillion treasury bonds, China's economy is expected to improve and enter a new development cycle. As an important pillar of the domestic economy, the real estate industry, benefited with the relaxation of purchase restriction policies and loosening of fiscal polices, will have a promising future.

Under the new market trend, the Group's pre-sales volume will still be mainly generated from completed housing projects across Guangzhou. In the future, the Group will continue to increase its sales efforts in Guangzhou, with Guangzhou remaining as the Group's key sales area in 2024. In terms of land acquisition, the Group will continue to drive its strategy of cooperation with its strategic partners to support its future development needs.

The Group will continue to focus on its strategy of "optimising structure, strengthening capabilities and improving quality", and strive to overcome the severe challenges brought about by the current adjustments to the real estate market in China.

FINANCIAL REVIEW

Revenue

During FY2023, the Group's revenue by operating segment included revenue from property development, project management services, and property investment and hotel operation. The total revenue of the Group for FY2023 was approximately HK$2,050,576,000 (FY2022: HK$2,838,843,000), which represented a decrease of approximately 27.8% as compared with that for FY2022.

Revenue from property development for FY2023 amounted to approximately HK$548,083,000 (FY2022: HK$890,037,000). The decrease was mainly due to the decrease in the number of properties delivered during FY2023 as compared with that during FY2022.

The income from the project management services segment contributed approximately HK$1,279,681,000 (FY2022: HK$1,705,171,000) to the total revenue of the Group for FY2023. The decrease was mainly due to the decrease in the number of project management services agreements the Group had in FY2023.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

During FY2023, the Group recorded an aggregate income of approximately HK$222,812,000 (FY2022: HK$243,635,000) from the property investment and hotel operation segment. The rental income generated by the Group from its investment properties decreased from approximately HK$172,450,000 for FY2022 to approximately HK$145,964,000 for FY2023, mainly due to the decrease in the GFA of the investment properties leased out by the Group during FY2023. During FY2023, the Group generated a total income of approximately HK$76,848,000 (FY2022: HK$71,185,000) from its operation of two hotels in the Guangdong Province, the PRC, namely, Vlamhoo Hotel, which was constructed by the Group, with its operations commenced in December 2021, and Luhu Hotel, which has been operated by the Group since December 2021.

Gross profit

Gross profit of the Group decreased from approximately HK$1,966,695,000 for FY2022 to approximately HK$1,448,422,000 for FY2023, mainly due to the decrease in the Group's revenue in FY2023.

Fair value loss on investment properties, net

For FY2023, the Group recorded a fair value loss on investment properties, net, of approximately HK$246,487,000 as compared with that of approximately HK$184,464,000 for FY2022. The fair value loss on investment properties, net, for FY2023 was mainly due to the decrease in the fair value of Zhukong International, RM Hotel and certain commercial properties held by the Group in the Guangdong Province, the PRC, as at 31 December 2023.

Other income and gains, net

Other income and gains, net, of the Group decreased to approximately HK$150,197,000 during FY2023 (FY2022: HK$317,752,000). The decrease was primarily due to the fair value gain on derivative financial instruments of approximately HK$122,532,000 recorded by the Group for FY2022, following the fair value assessment of the warrants issued by the Company in 2019 ("**2019 Warrants**"), which was absent in FY2023 as the 2019 Warrants lapsed in 2022.

Administrative expenses and selling and marketing expenses

Administrative expenses and selling and marketing expenses of the Group decreased from approximately HK$498,576,000 for FY2022 to approximately HK$413,749,000 for FY2023. The decrease was mainly due to the decrease in the administrative expenses primarily caused by the decrease in the staff cost incurred for FY2023, as compared with that for FY2022.

FINANCIAL REVIEW *(continued)*

Impairment losses on financial assets, net

Impairment losses on financial assets, net, of the Group increased from approximately HK$35,528,000 during FY2022 to approximately HK$250,423,000 during FY2023, which comprised the impairment losses of approximately HK$260,446,000 (FY2022: reversal of impairment of HK$103,966,000) recorded by the Group on its trade receivables during FY2023 and the reversal of impairment losses of approximately HK$10,023,000 (FY2022: impairment losses of HK$139,494,000) recorded by the Group on its deposits and other receivables during FY2023, following the Group's assessment of expected credit loss.

Other expenses, net

Other expenses, net, of the Group decreased from approximately HK$1,242,784,000 for FY2022 to approximately HK$154,611,000 for FY2023, mainly due to the combined effect of (a) the foreign exchange gain of approximately HK$1,213,000 recorded by the Group for FY2023 (FY2022: foreign exchange loss of HK$592,063,000); (b) the impairment loss of hotel properties included in the Group's property and equipment of approximately HK$428,083,000 recorded by the Group for FY2022, which was absent during FY2023; (c) the write-off of trade and other receivables of approximately HK$181,425,000 recorded by the Group for FY2023 (FY2022: Nil); (d) the impairment of the Group's properties under development and completed properties held for sale of approximately HK$24,638,000 (FY2022: HK$150,576,000); and (e) the reversal of impairment loss on investment in an associate of approximately HK$129,462,000 recorded by the Group for FY2023 (FY2022: Nil), which was arrived at with reference to the valuation conducted by an independent valuer, based on generally accepted valuation procedures and practices.

Changes in fair value of financial assets at fair value through profit or loss

As the relevant project management services agreement of the Group classified as a financial asset at fair value through profit or loss under which the Group agreed to provide project management services in relation to a property development project to its customers had been completed in 2022, there was no change in fair value of financial assets at fair value through profit or loss recorded by the Group for FY2023 (FY2022: HK$186,973,000).

FINANCIAL REVIEW *(continued)*

Share of loss of an associate

Share of loss of an associate of the Company was approximately HK$279,742,000 during FY2023 (FY2022: HK$192,107,000), which represented the Company's share of the loss from its associate, Silver Grant International Holdings Group Limited (銀建國際控股集團有限公司) ("**Silver Grant**"), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with stock code: 0171. Silver Grant and its subsidiaries are principally engaged in property leasing and investments. The Group held approximately 29.53% interest of the issued share capital of Silver Grant as at 31 December 2023.

Finance costs, net

Finance costs, net, of the Group for FY2023 were approximately HK$1,123,925,000 (FY2022: HK$1,270,106,000), which were made up of interest expenses incurred by the Group during FY2023 after deduction of the interest expenses capitalised into development costs. The decrease in finance costs, net, was mainly due to the decrease in the interest-bearing bank and other borrowings of the Group in FY2023, as compared with those in FY2022.

Income tax expense

Income tax expense of the Group comprised corporate income tax ("**CIT**") and land appreciation tax ("**LAT**") in the PRC and deferred tax. CIT of approximately HK$136,555,000 (FY2022: HK$173,940,000), LAT credit of approximately HK$1,330,000 (FY2022: LAT debit of HK$71,293,000) and deferred tax credit of approximately HK$69,370,000 (FY2022: HK$175,603,000) accounted for the Group's total income tax expense of approximately HK$65,855,000 for FY2023 (FY2022: HK$69,630,000). The decrease in total income tax expense for FY2023 was mainly due to the decrease in the income generated by the Group during FY2023 which was subject to income tax, as compared with that during FY2022.

Loss for the year

The Group's loss for FY2023 was approximately HK$936,170,000 (FY2022: HK$1,021,759,000). Such change was mainly attributable to the decrease in other expenses, net, recorded by the Group from approximately HK$1,242,784,000 during FY2022 to approximately HK$154,611,000 during FY2023, mainly due to the decrease in the foreign exchange loss recorded by the Group during FY2023, which was partially offset by (a) the fair value gain on the financial assets at fair value through profit or loss of approximately HK$186,973,000 recorded by the Group for FY2022, which was absent for FY2023 as the relevant project management services agreement of the Group classified as a financial asset at fair value through profit or loss had been completed in FY2022; (b) the decrease in the Group's revenue from project management services from approximately HK$1,705,171,000 during FY2022 to approximately HK$1,279,681,000 during FY2023, due to the decrease in the number of project management services agreements the Group had during FY2023; and (c) the increase in impairment losses on financial assets, net, from approximately HK$35,528,000 during FY2022 to approximately HK$250,423,000 during FY2023, following the assessment of expected credit loss.

FINANCIAL REVIEW *(continued)*

Treasury and funding policies

The Group has adopted a prudent approach with respect to its treasury and funding policies. The Group's financial and fundraising activities are subject to effective centralised management and supervision, with an emphasis on risk management and transactions that are directly related to the business of the Group. There is in general no material seasonality in relation to the borrowing requirements of the Group.

Cash position

As at 31 December 2023, the Group's cash and bank balances (including restricted cash and term deposits with initial terms of over three months) amounted to approximately HK$301,264,000 (31 December 2022: HK$759,572,000). The cash and bank balances of the Group were mainly denominated in RMB, United States dollar ("**US$**") and HK$.

Borrowings, charges on group assets and gearing ratio

The Group's bank and other borrowings comprised the following:

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Bank loans – secured	**7,938,731**	7,318,223
Other borrowings:		
Senior notes – secured	**1,594,055**	1,588,570
Other borrowings – secured	**4,274,335**	6,365,616
Other borrowings – unsecured and guaranteed	**30,000**	30,000
Lease liabilities	**11,676**	16,900
	13,848,797	15,319,309

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio *(continued)*

(a) As at 31 December 2023, the Group's bank and other borrowings amounted to approximately HK$13,848,797,000, of which approximately 61.5%, 8.8%, 17.9% and 11.8% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years (31 December 2022: HK$15,319,309,000, of which approximately 41.7%, 36.9%, 9.4% and 12.0% were repayable respectively within one year or on demand, in the second year, in the third to fifth years inclusively and over five years). As at 31 December 2023, such borrowings of the Group were made up of financing from (i) bank loans; (ii) senior notes; (iii) other borrowings, including trust loans, a margin loan and term loan facilities; and (iv) lease liabilities. Out of these borrowings, approximately HK$80,441,000 (31 December 2022: HK$283,830,000), approximately HK$12,042,608,000 (31 December 2022: HK$13,006,296,000) and approximately HK$1,725,748,000 (31 December 2022: HK$2,029,183,000) were denominated in HK$, RMB and US$, respectively. The senior notes and other borrowings carried fixed interest rates ranging from 7.00% per annum to 13.00% per annum (31 December 2022: 7.00% per annum to 13.00% per annum). Approximately 12.36% (31 December 2022: 17.73%) of the bank loans carried fixed interest rates ranging from 4.85% per annum to 9.00% per annum (31 December 2022: 3.61% per annum to 9.00% per annum) while the remaining bank loans of approximately 87.64% (31 December 2022: 82.27%) carried floating interest rates.

(b) The gearing ratio of the Group, being the Group's financial key performance indicator, is measured by the net debt (total interest-bearing borrowings net of cash and bank balances) over the total capital (total equity plus net debt) of the Group. As at 31 December 2023, the gearing ratio of the Group was 68% (31 December 2022: 66%).

(c) As at 31 December 2023, the Group had outstanding secured bank loans of approximately HK$7,939 million, which were secured by the following: (i) the Group's investment properties; (ii) the Group's property and equipment; (iii) the Group's properties under development and completed properties held for sale; (iv) the Group's term deposits; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州珠光城市更新集團有限公司 (Guangzhou Zhuguang Urban Renewal Group Company Limited*), 廣州舜吉實業有限公司 (Guangzhou Shunji Industry Company Limited*), 廣東海聯大厦有限公司 (Guangdong Hailian Building Company Limited*) and 廣州發展汽車城有限公司(Guangzhou Development Automobile City Co., Ltd.*); (vi) the corporate guarantees executed by the Company and 廣東珠光集團有限公司 (Guangdong Zhuguang Group Company Limited*) ("**Guangdong Zhuguang Group**"); and (vii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung and Mr. Liao Tengjia.

* *English name is translated for identification purpose only*

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio *(continued)*

(d) As at 31 December 2023, the Group had outstanding senior, secured and guaranteed notes issued in 2022 in the aggregate principal amount of US$207.9 million (equivalent to approximately HK$1,594 million) due on 21 September 2025 ("**2022 Senior Notes**"), which were secured and guaranteed by (i) 3,000,000,000 shares of the Company ("**Shares**") owned by Rong De Investments Limited (融德投資有限公司) ("**Rong De**") (a controlling shareholder ("**Shareholder**") of the Company (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**")); (ii) the 100% equity interest of the Company's subsidiaries, namely, Ai De Investments Limited (靄德投資有限公司) ("**Ai De**"), All Flourish Investments Limited (通興投資有限公司) ("**All Flourish**"), Capital Fame Investments Limited (嘉鋒投資有限公司) ("**Capital Fame**"), Cheng Chang Holdings Limited (誠昌控股有限公司) ("**Cheng Chang**"), China Honest International Investments Limited (創豪國際投資有限公司) ("**China Honest**"), Diamond Crown Limited (毅冠有限公司) ("**Diamond Crown**"), East Orient Investment Limited (達東投資有限公司) ("**East Orient**"), Ever Crown Corporation Limited (冠恒興業有限公司) ("**Ever Crown**"), Fully Wise Investment Limited (惠豐投資有限公司) ("**Fully Wise**"), Gains Wide Holdings Limited (利博控股有限公司) ("**Gains Wide**"), Gold Charter Investments Limited (高澤投資有限公司) ("**Gold Charter**"), Graceful Link Limited (愉興有限公司) ("**Graceful Link**"), Pacific Win Investments Limited (保鋒投資有限公司) ("**Pacifc Win**"), Polyhero International Limited (寶豪國際有限公司) ("**Polyhero International**"), Profaith International Holdings Limited (盈信國際控股有限公司) ("**Profaith International**"), Sharp Wisdom Holdings Limited (銳智控股有限公司) ("**Sharp Wisdom**"), South Trend Holdings Limited (南興控股有限公司) ("**South Trend**"), Speedy Full Limited (速溢有限公司) ("**Speedy Full**"), Talent Wide Holdings Limited (智博控股有限公司) ("**Talent Wide**"), Top Asset Development Limited (通利發展有限公司) ("**Top Asset**"), Top Perfect Development Limited (泰恒發展有限公司) ("**Top Perfect**"), World Sharp Investments Limited (華聲投資有限公司) ("**World Sharp**") and Zhuguang Group Limited (珠光集團有限公司) ("**ZG Group**"); (iii) the corporate guarantees executed by Rong De, ZG Group, South Trend, Ai De, All Flourish, Capital Fame, Cheng Chang, China Honest, Diamond Crown, East Orient, Ever Crown, Fully Wise, Gains Wide, Gold Charter, Graceful Link, Pacific Win, Polyhero International, Profaith International, Talent Wide, Top Asset, Top Perfect, World Sharp, Sharp Wisdom and Speedy Full; and (iv) the personal guarantees executed by the executive Directors, namely, Mr. Liao Tengjia, Mr. Chu Hing Tsung and Mr. Chu Muk Chi.

FINANCIAL REVIEW *(continued)*

Borrowings, charges on group assets and gearing ratio *(continued)*

(e) As at 31 December 2023, the Group had outstanding secured other borrowings of approximately HK$4,274 million, which were secured and guaranteed by (i) the Group's properties under development and completed properties held for sale; (ii) the Group's property and equipment; (iii) the Group's investment properties; (iv) the security provided by Guangdong Zhuguang Group; (v) the entire equity interest of the Company's subsidiaries, namely, 廣州市潤啟房地產有限公司 (Guangzhou City Runqi Property Company Limited*), 廣州東港合眾房地產有限公司 (Guangzhou Dong Gang He Zhong Property Company Limited*), 廣州珠光實業集團有限公司 (Guangzhou Zhuguang Industrial Group Company Limited*), 香河縣逸景房地產開發有限公司 (Xianghe County Yijing Property Development Company Limited*) and 廣州振超房地產開發有限公司 (Guangzhou Zhenchao Property Development Company Limited*); (vi) the entire equity interest of a subsidiary of Guangdong Zhuguang Group; (vii) the corporate guarantees executed by the Company and Guangdong Zhuguang Group; (viii) the personal guarantees executed by the executive Directors, namely, Mr. Chu Hing Tsung, Mr. Liao Tengjia and Mr. Chu Muk Chi; (ix) 436,204,000 Shares owned by Rong De; and (x) 680,554,022 shares in Silver Grant owned by the Company.

(f) As at 31 December 2023, the Group had outstanding unsecured and guaranteed other borrowings of HK$30 million, which were guaranteed by the personal guarantee executed by an executive Director, Mr. Chu Hing Tsung.

* *English name is translated for identification purpose only*

FINANCIAL GUARANTEE CONTRACTS

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties as follows:

	31 December 2023	31 December 2022
	HK$'000	*HK$'000*
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	**1,877,249**	2,706,018

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) the issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties.

Except for the financial guarantee contracts as disclosed above, the Group had no material contingent liabilities as at 31 December 2023 (31 December 2022: Nil).

FOREIGN EXCHANGE RATE

During FY2023, the Group conducted its business almost exclusively in RMB except that certain transactions were conducted in HK$ and US$. The conversion of RMB into HK$, US$ or other foreign currencies has been based on the rates set by the People's Bank of China. The value of RMB against the HK$, US$ and other foreign currencies may fluctuate and is affected by factors such as changes in the PRC's political and economic conditions. During FY2023, the Group did not adopt any financial instruments for hedging purposes. However, the Group will constantly assess the foreign exchange risk it encounters so as to decide on the hedging policy required against the possible foreign exchange risk that may arise.

EMPLOYEES AND REMUNERATION POLICIES

The Group had in aggregate 793 employees in Hong Kong and the PRC as at 31 December 2023 (31 December 2022: 883). During FY2023, the level of the Group's overall staff cost was approximately HK$189.6 million (FY2022: HK$241.7 million). The employees of the Group are remunerated according to their respective job nature, market conditions, individual performance and qualifications. Other staff benefits include annual bonus and retirement benefits. The Directors' remuneration is determined based on their qualifications, experience, duties and responsibilities, the Company's remuneration policy and the prevailing market conditions.

The Group encourages sustainable training of its employees through coaching and further studies. In-house training was provided to eligible employees during FY2023, including training on updates of accounting standards and training on market updates.

During FY2023, the Group did not experience any significant problem with its employees or disruption to its operations due to labour discipline nor did it experience any difficulty in the recruitment and retention of experienced staff. The Group has maintained a good relationship with its employees. Most members of the senior management have been working for the Group for many years.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,050,576**	2,838,843
Cost of sales		**(602,154)**	(872,148)
Gross profit		**1,448,422**	1,966,695
Other income and gains, net	*4*	**150,197**	317,752
Selling and marketing expenses		**(48,459)**	(51,229)
Administrative expenses		**(365,290)**	(447,347)
Changes in fair value of financial assets at fair value through profit or loss		**–**	186,973
Fair value loss on investment properties, net		**(246,487)**	(184,464)
Impairment losses on financial assets, net		**(250,423)**	(35,528)
Other expenses, net		**(154,611)**	(1,242,784)
Finance costs, net	*5*	**(1,123,925)**	(1,270,106)
Share of loss of an associate		**(279,742)**	(192,107)
Share of profits of joint ventures, net		**3**	16
LOSS BEFORE TAX	*6*	**(870,315)**	(952,129)
Income tax expense	*7*	**(65,855)**	(69,630)
LOSS FOR THE YEAR		**(936,170)**	(1,021,759)
Attributable to:			
Owners of the parent		**(871,010)**	(997,194)
Non-controlling interests		**(65,160)**	(24,565)
		(936,170)	(1,021,759)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents per share)	*8*	**(13.00)**	(14.74)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(936,170)**	(1,021,759)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(120,166)**	(410,382)
Share of other comprehensive income/(loss) of an associate	**13,229**	(140,228)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(106,937)**	(550,610)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,043,107)**	(1,572,369)
Attributable to:		
Owners of the parent	**(976,856)**	(1,528,480)
Non-controlling interests	**(66,251)**	(43,889)
	(1,043,107)	(1,572,369)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		31 December	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property and equipment		**267,247**	289,286
Investment properties		**3,444,060**	3,770,968
Intangible assets		**5,747**	7,020
Investments in joint ventures		**10,942**	11,098
Investment in an associate		**723,496**	861,383
Trade receivables	*10*	**14,289,043**	4,188,597
Other receivables		**994,110**	–
Financial assets at fair value through profit or loss		**13,098**	13,288
Deferred tax assets		**11,177**	22,241
Total non-current assets		**19,758,920**	9,163,881
CURRENT ASSETS			
Properties under development		**8,626,053**	8,396,103
Completed properties held for sale		**4,385,638**	4,661,335
Trade receivables	*10*	**978,694**	10,429,190
Prepayments, other receivables and other assets		**1,611,227**	3,515,242
Prepaid income tax		**207,062**	180,325
Financial assets at fair value through profit or loss		**13,242**	13,434
Cash and bank balances		**301,264**	759,572
Total current assets		**16,123,180**	27,955,201
CURRENT LIABILITIES			
Contract liabilities		**3,526,417**	2,635,440
Trade and other payables	*11*	**6,020,752**	5,742,819
Interest-bearing bank and other borrowings		**8,512,210**	6,381,265
Income tax payables		**3,525,186**	3,467,128
Total current liabilities		**21,584,565**	18,226,652
NET CURRENT (LIABILITIES)/ASSETS		**(5,461,385)**	9,728,549
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,297,535**	18,892,430

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
31 December 2023

		31 December	
		2023	2022
	Note	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Other payables	*11*	**582,769**	406,731
Interest-bearing bank and other borrowings		**5,336,587**	8,938,044
Deferred tax liabilities		**2,069,768**	2,196,137
Total non-current liabilities		**7,989,124**	11,540,912
Net assets		**6,308,411**	7,351,518
EQUITY			
Equity attributable to owners of the parent			
Share capital		**722,564**	722,564
Reserves		**4,366,616**	5,411,472
		5,089,180	6,134,036
Perpetual capital securities		**1,187,753**	1,119,753
		6,276,933	7,253,789
Non-controlling interests		**31,478**	97,729
Total equity		**6,308,411**	7,351,518

Notes:

1 CORPORATE AND GROUP INFORMATION

Zhuguang Holdings Group Company Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 December 1996.

During the year, the Company's principal activity was investment holding and the Company and its subsidiaries (collectively the "**Group**") were principally engaged in property development, property management, property investment, hotel operation and other property development related services in the mainland of the People's Republic of China (the "**PRC**" or "**Chinese Mainland**").

In the opinion of the Company's directors (the "**Directors**"), the holding company and the ultimate holding company of the Company is Rong De Investment Limited ("**Rong De**"), which is incorporated in the British Virgin Islands ("**BVI**").

2.1 BASIS OF PRESENTATION

Going concern basis

For the year ended 31 December 2023, the Group recorded a net loss of approximately HK$936 million and, as at 31 December 2023, the Group had net current liabilities of approximately HK$5,461 million. In addition, as at 31 December 2023, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within 12 months from the end of the reporting period amounted to approximately HK$8,512 million, including (1) borrowings of approximately HK$783 million which have not been repaid according to the scheduled repayment dates before the end of the reporting period, and (2) borrowings of approximately HK$1,297 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. Furthermore, subsequent to the end of the reporting period, additional borrowings of the Group with an aggregate principal amount of approximately HK$70 million have not been repaid according to the scheduled repayment dates. The Group has been in active discussions with the relevant financial institutions for extension of the repayment dates of such borrowings. Up to the date of approval of these financial statements, the Group has not received any demand for immediate repayment for any of these and other borrowings.

In view of these circumstances, the Directors have given careful consideration to the future working capital and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfill its financial obligations and continue as a going concern for at least 12 months from 31 December 2023. The Group has formulated the following plans and measures to mitigate the liquidity pressure and to improve its cash flows.

(a) the Group has been proactively communicating with the relevant lenders on the Group's business plan, operations and financial position. Based on the ongoing discussions, the Directors believe that the relevant lenders will not exercise their rights to request the Group for immediate repayment of any significant borrowings prior to their repayment dates in accordance with the relevant loan agreements;

2.1 BASIS OF PRESENTATION *(continued)*

Going concern basis *(continued)*

(b) during the year, the Group has further terminated other urban redevelopment project with related outstanding receivables of approximately HK$2,586 million. These receivables are scheduled to be repaid by 3 annual instalments up to 31 December 2026;

(c) the Group is actively discussing with the lenders of certain bank and other borrowings on the re-financing of the existing borrowings;

(d) the Group will continue to accelerate the pre-sales and sales of its properties under development and completed properties, and collection of outstanding sales proceeds and other receivables;

(e) the Group will continue to take active measures to control its administrative costs and manage its capital expenditure; and

(f) Rong De, the Company's ultimate holding company, has issued a letter of financial support to the Company for a period of 12 months from the reporting year end date. Rong De has agreed to provide the necessary financial support to enable the Group to meet its liabilities as and when they fall due, to continue carrying on its principal business without a significant curtailment of operations, and not to demand for repayment of any amounts due to Rong De until the Group is in the position to repay without impairing its financial position.

The Directors have reviewed the Group's cash flow forecast, covering a period of at least 12 months from the reporting date, prepared by the management. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within 12 months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(a) the continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings;

(b) the successful and timely agreement with the lenders on the extension of the repayment dates for existing borrowings subject to the Group's financial and liquidity position, and to obtain additional credit facilities from existing and other lenders as and when needed;

(c) the successful and timely collection of receivables of urban redevelopment projects in accordance with the schedules; and

(d) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, collection of outstanding sales proceeds and receivables, and to control costs and capital expenditure in order to improve the Group's working capital.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

    The adoption of amendments to HKAS 12 did not have any impact on the consolidated statement of financial position as at 31 December 2023, 31 December 2022 and 1 January 2022.

    The adoption of amendments to HKAS 12 did not have any impact on the consolidated statement of profit or loss, the basic and diluted loss per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments are as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the project management services segment engages in the provision of project management services to property development projects and urban redevelopment projects; and

(c) the property investment and hotel operation segment invests in properties for their rental income potential and/or for capital appreciation and engages in hotel operation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that the change in fair value of derivative financial instruments, gain on bargain purchase, gain on disposal of subsidiaries, share of profit/loss of joint ventures, net, share of profit/loss of an associate, impairment on investment in an associate included in other expenses, net, finance costs (other than interest on lease liabilities) and income tax expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in joint ventures and an associate, deferred tax assets, unlisted investments classified as financial assets at fair value through profit or loss, cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings (other than lease liabilities), current income tax payables, deferred tax liabilities, amount due to a joint venture and amounts due to the ultimate holding company as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2023

	Property development *HK$'000*	Project management services *HK$'000*	Property investment and hotel operation *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**548,083**	**1,279,681**	**222,812**	**2,050,576**
Segment results	**(447,945)**	**1,029,258**	**(162,530)**	**418,783**
Reconciliation:				
Share of loss of an associate				**(279,742)**
Share of profits of joint ventures, net				**3**
Finance costs, net (other than interest on lease liabilities)				**(1,122,400)**
Reversal of impairment loss on investment in an associate included in other expenses, net				**129,462**
Corporate and other unallocated expenses				**(16,421)**
Loss before tax				**(870,315)**
Income tax expense				**(65,855)**
Loss for the year				**(936,170)**
Segment assets	**14,981,925**	**16,189,446**	**3,637,509**	**34,808,880**
Reconciliation:				
Corporate and other unallocated assets				**1,073,220**
Total assets				**35,882,100**
Segment liabilities	**9,353,790**	**11,676**	**199,007**	**9,564,473**
Reconciliation:				
Corporate and other unallocated liabilities				**20,009,216**
Total liabilities				**29,573,689**

3. **OPERATING SEGMENT INFORMATION** *(continued)*

Year ended 31 December 2023

	Property development *HK$'000*	**Project management services** *HK$'000*	**Property investment and hotel operation** *HK$'000*	**Total** *HK$'000*
Other segment information:				
Depreciation	**1,317**	**5,821**	**12,728**	**19,866**
Amortisation	**1,180**	**–**	**–**	**1,180**
Capital expenditure*	**207**	**–**	**173**	**380**
Fair value loss on investment properties, net	**–**	**–**	**246,487**	**246,487**
(Reversal of impairment losses)/ impairment losses on financial assets, net	**(10,023)**	**260,957**	**(511)**	**250,423**
Impairment of properties under development and completed properties held for sale	**24,638**	**–**	**–**	**24,638**

* *Capital expenditure consists of additions to property and equipment.*

3. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022

	Property development *HK$'000*	Project management services *HK$'000*	Property investment and hotel operation *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	890,037	1,705,171	243,635	2,838,843
Segment results	(437,366)	1,333,684	(492,724)	403,594
Reconciliation:				
Fair value gain on derivative financial instruments, net				122,532
Share of loss of an associate				(192,107)
Share of profits of joint ventures, net				16
Finance costs, net (other than interest on lease liabilities)				(1,269,795)
Corporate and other unallocated expenses				(16,369)
Loss before tax				(952,129)
Income tax expense				(69,630)
Loss for the year				(1,021,759)
Segment assets	15,560,868	15,620,538	4,256,660	35,438,066
Reconciliation:				
Corporate and other unallocated assets				1,681,016
Total assets				37,119,082
Segment liabilities	8,447,309	16,900	190,453	8,654,662
Reconciliation:				
Corporate and other unallocated liabilities				21,112,902
Total liabilities				29,767,564

3. **OPERATING SEGMENT INFORMATION** *(continued)*

Year ended 31 December 2022

	Property development *HK$'000*	Project management services *HK$'000*	Property investment and hotel operation *HK$'000*	Total *HK$'000*
Other segment information:				
Depreciation	1,735	6,435	35,188	43,358
Amortisation	1,492	–	–	1,492
Capital expenditure*	1,123	17,134	59	18,316
Fair value loss on investment properties, net	–	–	184,464	184,464
Impairment losses/(reversal of impairment losses) on financial assets, net	139,494	(107,426)	3,460	35,528
Impairment loss of hotel properties included in property and equipment	–	–	428,083	428,083
Impairment of properties under development and completed properties held for sale	150,576	–	–	150,576

* *Capital expenditure consists of additions to property and equipment, investment properties and intangible assets.*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Chinese Mainland and over 90% of the segment assets of the Group are located in Chinese Mainland. Accordingly, in the opinion of the Directors, the presentation of geographical information would not provide additional useful information to the users of these financial statements.

Information about major customers

For the year ended 31 December 2023, revenue of approximately HK$1,279,681,000 (2022: HK$1,705,171,000) was derived from a single customer, including revenue derived from a group of entities which are known to be subsidiaries of that customer, and was attributable to the project management services segment.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of the Group's revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of properties	**548,083**	890,037
Hotel operation income	**76,848**	71,185
	624,931	961,222
Revenue from other sources		
Finance component of income from urban redevelopment projects	**1,279,681**	1,705,171
Rental income from investment property operating leases:		
– fixed lease payments	**145,964**	172,450
	1,425,645	1,877,621
Total revenue	**2,050,576**	2,838,843

An analysis of the Group's other income and gains, net is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest income	**55,487**	49,485
Management service income	**68,803**	49,603
Gain on a settlement arrangement relating to a consideration receivable	**–**	68,234
Fair value gain on derivative financial instruments	**–**	122,532
Gain on disposal of investment properties	**9,890**	2,838
Others	**16,017**	25,060
	150,197	317,752

5. FINANCE COSTS, NET

An analysis of finance costs, net is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank and other borrowings and senior notes	**1,255,024**	1,565,888
Interest expense arising from revenue contracts	**146,349**	66,691
Interest on lease liabilities	**1,525**	311
Total interest expense	**1,402,898**	1,632,890
Less: interest capitalised	**(278,973)**	(362,784)
	1,123,925	1,270,106

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2023	2022
	HK$'000	*HK$'000*
Cost of properties sold	**541,440**	812,361
Cost of service provided	**60,720**	59,787
Depreciation of property and equipment	**12,769**	34,870
Depreciation of right-of-use assets	**7,097**	8,488
Amortisation of intangible assets	**1,180**	1,492
Fair value gain on derivative financial instruments	**–**	(122,532)
Lease payments not included in the measurement of lease liabilities	**13,737**	14,466
Auditor's remuneration	**6,800**	5,800
Foreign exchange differences, net	**(1,213)**	592,063
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**167,168**	219,412
Retirement benefit scheme contributions	**22,385**	22,322
	189,553	241,734
Impairment losses on financial assets, net		
Impairment/(reversal of impairment) of trade receivables, net	**260,446**	(103,966)
(Reversal of impairment)/impairment of deposits and other receivables, net	**(10,023)**	139,494
	250,423	35,528
Impairment of properties under development and completed properties held for sale	**24,638**	150,576
Reversal of impairment loss on investment in an associate	**(129,462)**	–
Impairment loss of hotel properties included in property and equipment	**–**	428,083
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**27,010**	38,384

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil). Taxes on profits assessable in Chinese Mainland have been calculated at the rates of tax prevailing in the jurisdictions in which the majority of the Group's subsidiaries operate.

	2023	2022
	HK$'000	*HK$'000*
Current:		
PRC CIT	**136,555**	173,940
PRC LAT	**(1,330)**	71,293
	135,225	245,233
Deferred	**(69,370)**	(175,603)
Total tax charge for the year	**65,855**	69,630

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 7,225,632,753 in issue during the year.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2022 in respect of a dilution as the impact of the warrants then outstanding had an anti-dilutive effect on the basic loss per share amount presented. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2023.

The calculations of the basic and diluted loss per share are based on:

	2023	2022
Loss attributable to equity holders of the parent *(HK$'000)*	**(871,010)**	(997,194)
Distribution related to perpetual capital securities *(HK$'000)*	**(68,000)**	(68,000)
Loss used in the basic and diluted earnings per share calculations *(HK$'000)*	**(939,010)**	(1,065,194)
Weighted average number of ordinary shares in issue during the year *(thousand shares)*	**7,225,633**	7,225,633

9. DIVIDENDS

No dividend in respect of the year ended 31 December 2023 (2022: Nil) was proposed by the board of directors of the Company.

10. TRADE RECEIVABLES

	Notes	2023 HK$'000	2022 HK$'000
Receivables from sales of properties	(a)	**1,390**	1,648
Receivables from property investment and hotel operation		**217,599**	214,994
Less: Impairment allowance		**(2,770)**	(3,336)
Net receivables from property investment and hotel operation	(a)	**214,829**	211,658
Receivables for urban redevelopment projects			
Related parties		**15,363,838**	14,463,943
Third parties		**479,621**	482,026
	(b)	**15,843,459**	14,945,969
Less: Impairment allowance		**(791,941)**	(541,488)
Net receivables for urban redevelopment projects		**15,051,518**	14,404,481
Total		**15,267,737**	14,617,787
Portion classified as non-current assets		**(14,289,043)**	(4,188,597)
Current portion		**978,694**	10,429,190

Notes:

(a) An ageing analysis of the receivables from sales of properties, property investment and hotel operation as at the end of the reporting period, based on the revenue recognition date or invoice date and net of loss allowance, is as follows:

	2023 HK$'000	2022 HK$'000
Current to 180 days	**164,202**	160,413
181 to 365 days	**28,727**	47,613
Over 365 days	**23,290**	5,280
	216,219	213,306

(b) The Group has entered into project management agreements with related parties and third parties for urban redevelopment projects. According to the project management agreements, the Group has the contractual right and responsibility (including the funding responsibility) to provide project management services in relation to the urban redevelopment projects. In return, the Group is entitled to a finance component of income arising from a fixed rate of return at an agreed percentage of funds incurred and contributed by the Group under its contractual funding responsibility and a management service income from the performance of the underlying urban redevelopment projects. For the years ended 31 December 2023 and 2022, no management service income arising from the performance of the underlying urban redevelopment projects was recognised as the amount of consideration was subject to constraint.

10. TRADE RECEIVABLES *(continued)*

Notes: (continued)

(b) *(continued)*

An ageing analysis of the receivables for urban redevelopment as at the end of the reporting period, based on the incurred date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**1,182,430**	1,799,535
1 to 2 years	**1,848,015**	1,866,911
2 to 3 years	**1,793,698**	5,599,480
Over 3 years	**11,019,316**	5,680,043
	15,843,459	14,945,969

11. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade and bills payables	**3,199,300**	3,249,613
Amounts due to related parties	**499,264**	424,617
Amount due to a joint venture	**5,517**	5,597
Amount due to the ultimate holding company	**577,142**	387,709
Other payables and accruals	**1,338,821**	1,243,856
Other tax payables	**983,477**	838,158
	6,603,521	6,149,550
Portion classified as current liabilities	**(6,020,752)**	(5,742,819)
Non-current portion	**582,769**	406,731

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the due date, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**2,939,858**	3,035,600
Over 1 year	**259,442**	214,013
	3,199,300	3,249,613

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Ernst & Young:

"DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the *Basis for disclaimer of opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. Except for the matters described in the *Basis for disclaimer of opinion* section and the *Additional matter – Qualification on Investment in an associate* section of our report, in all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group recorded a net loss of approximately HK$936 million for the year ended 31 December 2023 and, as at 31 December 2023, the Group had net current liabilities of approximately HK$5,461 million. In addition, as at 31 December 2023, the Group's outstanding interest-bearing bank and other borrowings which are due to be repaid within 12 months from the end of the reporting period amounted to approximately HK$8,512 million, including (1) borrowings of approximately HK$783 million which have not been repaid according to the scheduled repayment dates before the end of the reporting period, and (2) borrowings of approximately HK$1,297 million with original maturity date of over one year from the reporting date which have been reclassified to current liabilities. Furthermore, subsequent to the end of the reporting period, additional borrowings of the Group with an aggregate principal amount of approximately HK$70 million have not been repaid according to the scheduled repayment dates. These conditions, along with other matters set forth in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking plans and measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including:

(a) the continual support from the existing lenders of the Group such that they will not demand for immediate repayment of the relevant borrowings;

(b) the successful and timely agreement with the lenders on the extension of the repayment dates for existing borrowings subject to the Group's financial and liquidity position, and to obtain additional credit facilities from existing and other lenders as and when needed;

(c) the successful and timely collection of receivables of urban redevelopment projects in accordance with the schedules; and

(d) the successful and timely implementation of the plans to accelerate the pre-sales and sales of properties under development and completed properties held for sale, collection of outstanding sales proceeds and receivables, and to control costs and capital expenditure in order to improve the Group's working capital.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

ADDITIONAL MATTER – QUALIFICATION ON INVESTMENT IN AN ASSOCIATE

Included in the consolidated financial statements is the Group's investment in an associate, Silver Grant International Holdings Group Limited (the "**Associate**"), with a carrying amount of approximately HK$723 million as at 31 December 2023, and the Group's share of loss of an associate of approximately HK$280 million, reversal of impairment loss on investment in an associate of approximately HK$129 million and share of an associate's other comprehensive income of approximately HK$13 million for the year ended 31 December 2023. The Associate has been accounted for by the Group using the equity method of accounting.

As explained in note 18 to the consolidated financial statements, the auditors of the Associate did not express an opinion on the consolidated financial statements of the Associate for the year ended 31 December 2023 due to multiple uncertainties relating to going concern and the auditors of the Associate included an audit qualification on the loan receivables and loan interest receivables of the Associate with a carrying amount of approximately HK$1,552 million and HK$349 million, respectively, as at 31 December 2023 in their auditor's report in respect of the consolidated financial statements of the Associate for the year ended 31 December 2023. There is no reliable and appropriate consolidated financial information of the Associate available to the management of the Group for the purpose of equity accounting and impairment assessment of the Group's investment in the Associate.

Because (i) there were no other satisfactory procedures that we could perform regarding the consolidated financial information of the Associate for the year ended 31 December 2023; and (ii) the directors of the Company were unable to provide us with adequate information in support of the impairment assessment of the Associate for the year ended 31 December 2023, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) whether the Group's share of loss and reversal of impairment loss relating to the Group's investment in an associate recognised in profit or loss for the year ended 31 December 2023 was properly recorded; (ii) the Group's share of other comprehensive income of an associate recognised in other comprehensive income for the year ended 31 December 2023 was properly recorded; and (iii) the carrying amount of the Group's investment in an associate as at 31 December 2023 was properly stated.

Any adjustments to the figures as described above might have consequential effects on the financial position of the Group as at 31 December 2023 and the financial performance of the Group for the year ended 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

Even had there been no multiple uncertainties relating to going concern as described in the *Basis for disclaimer of opinion* section of our report which precluded us from expressing an opinion on the consolidated financial statements, our opinion would have been qualified for the additional matter as described above."

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during FY2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Code**") as contained in Appendix 10 (renumbered as Appendix C3 with effect from 31 December 2023) to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") then in force during FY2023. Specific enquiry has been made of all Directors, who confirmed that they have complied with the required standards set out in the Code for FY2023.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 (renumbered as Appendix C1 with effect from 31 December 2023) to the Listing Rules then in force during FY2023.

AUDIT COMMITTEE

The audit committee ("**Audit Committee**") of the Company comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practice adopted by the Group and the Company's consolidated results for FY2023, and discussed with the management regarding internal control and financial reporting matters.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for FY2023 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for FY2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

PUBLICATION OF 2023 ANNUAL REPORT

The Company's annual report for FY2023 containing the relevant information required by Appendix 16 (renumbered as Appendix D2 with effect from 31 December 2023) to the Listing Rules will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.zhuguang.com.hk.

APPRECIATION

The Board would like to take this opportunity to thank the Shareholders and the management and the staff members of the Group for their dedication and support.

On behalf of the Board
Zhuguang Holdings Group Company Limited
Chu Hing Tsung
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises (i) six executive Directors, namely Mr. Chu Hing Tsung (alias Mr. Zhu Qing Yi) (Chairman), Mr. Liu Jie (Chief Executive Officer), Mr. Liao Tengjia (Deputy Chairman), Mr. Huang Jiajue (Deputy Chairman), Mr. Chu Muk Chi (alias Mr. Zhu La Yi) and Ms. Ye Lixia, and (ii) three independent non-executive Directors, namely Mr. Leung Wo Ping JP, Mr. Wong Chi Keung and Dr. Feng Ke.

This announcement is published on the website of the Company (www.zhuguang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).